

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Manistique Housing Commission	County Schoolcraft
Fiscal Year End 12-31-2005	Opinion Date 10-3-2006	Date Audit Report Submitted to State 10-14-2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

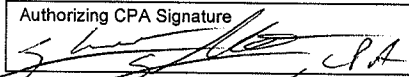
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	n/a	
Other (Describe)	<input checked="" type="checkbox"/>	n/a	
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-774-4300	
Street Address Po Box 828		City Iron Mountain	State MI
Zip 49801			
Authorizing CPA Signature 	Printed Name Shane M. Ellison, CPA	License Number 263063	

**MANISTIQUE HOUSING COMMISSION**

**REPORT ON FINANCIAL STATEMENTS**

(with supplemental information)

For the Year Ended December 31, 2005

# MANISTIQUE HOUSING COMMISSION

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**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

*A Regional Firm with Offices in Michigan and Wisconsin*

Principals - Iron Mountain:  
L. Robert Schaut, CPA  
David J. Johnson, CPA  
Shane M. Ellison, CPA

Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Manistique Housing Commission  
Manistique, Michigan

We have audited the accompanying basic financial statements of the business-type activities of the Manistique Housing Commission as of and for the year ended December 31, 2005 as listed in the Table of Contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Manistique Housing Commission as of December 31, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2006 on our consideration of the Manistique Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Manistique Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The Financial Data Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Manistique, Michigan

October 3, 2006

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Manistique Housing Commission's financial performance provides an overview of the financial activities for the year ended December 31, 2005. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

### FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$1,146,180 at December 31, 2005 compared to \$1,119,716 at December 31, 2004.
- The Commission's total revenues totaled \$608,079 for December 31, 2005 and \$537,737 for December 31, 2004, while operating expenses totaled \$581,615 for December 31, 2005 and \$605,715 for December 31, 2004.

### USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows (on pages 9 to 12) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

### REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities"? The Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows, the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help cover all or most of the costs of services it provides.

## REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

## THE COMMISSION AS A WHOLE

The Commission's combined net assets at December 31, 2005 increased \$26,464 from December 31, 2004.

Table 1

### NET ASSETS

	December 31,	
	2005	2004
<b>Assets</b>		
Current assets	\$ 396,151	\$ 363,486
Capital assets (net)	<u>805,195</u>	<u>812,228</u>
Total assets	<u>1,201,346</u>	<u>1,175,714</u>
<b>Liabilities</b>		
Current liabilities	42,983	44,651
Noncurrent liabilities	<u>12,183</u>	<u>11,347</u>
Total liabilities	<u>55,166</u>	<u>55,998</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	805,195	812,228
Unrestricted	<u>340,985</u>	<u>307,488</u>
Net Assets	<u>\$1,146,180</u>	<u>\$1,119,716</u>

Net assets of the Commission stood at \$1,146,180 at December 31, 2005 compared to \$1,119,716 at December 31, 2004. Unrestricted net business assets were \$340,985 compared to \$307,488 at December 31, 2004. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The increase in current assets was primarily due to an increase in cash and investments.

**Table 2****CHANGE IN NET ASSETS**

	Year Ended December 31,	
	2005	2004
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 159,479	\$ 151,572
Program grants and subsidies	435,376	378,052
General revenues:		
Other revenues	5,520	3,357
Unrestricted investment earnings	<u>7,704</u>	<u>4,756</u>
 Total revenues	 608,079	 537,737
 <b>Program Expenses:</b>		
Operating expenses	<u>(581,615)</u>	<u>(605,715)</u>
 Change in net assets	 26,464	 (67,978)
 Net assets - beginning of period	 <u>1,119,716</u>	 <u>1,187,694</u>
 Net assets - end of period	 <u>\$ 1,146,180</u>	 <u>\$ 1,119,716</u>

**BUSINESS – TYPE ACTIVITIES**

Revenues for the Commission totaled \$608,079 compared to \$537,737 during December 31, 2004. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had increased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The decrease in operating expenses was primarily due to a decrease in housing assistance payments.



## **CAPTIAL ASSETS**

### **Capital Assets**

The Commission had \$3,405,299 invested in a variety of capital assets including land, equipment and buildings at December 31, 2005 compared to \$3,280,306 at December 31, 2004.

**Table 3**

#### **CAPITAL ASSETS Business - Type Activity**

	December 31,	
	2005	2004
Land and improvements	\$ 268,029	\$ 268,029
Building and improvements	3,022,421	2,890,238
Equipment	114,849	114,849
Construction in progress	-	7,190
Total	3,405,299	3,280,306
Less accumulated depreciation	(2,600,104)	(2,468,078)
<b>NET CAPITAL ASSETS</b>	<b>\$ 805,195</b>	<b>\$ 812,228</b>

The Commission invested \$124,993 in capital assets during the year ended December 31, 2005.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Commission's appointed officials considered many factors when setting the budget for the calendar year 2006. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2006 budget process.

### **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Kathleen Schuetter, at 400 East Lake Shore Drive, Manistique, Michigan 49854, or call 906-341-5451.

**MANISTIQUE HOUSING COMMISSION**

**STATEMENT OF NET ASSETS**

**Proprietary Fund**

December 31, 2005

**CURRENT ASSETS:**

Cash and equivalents	\$ 175,822
Accounts receivable	4,595
Investments	198,509
Prepaid expenses	<u>17,225</u>

**TOTAL CURRENT ASSETS**

396,151

**NONCURRENT ASSETS:**

Capital assets	3,405,299
Less accumulated depreciation	<u>(2,600,104)</u>

**NET CAPITAL ASSETS**

805,195

**TOTAL ASSETS**

1,201,346

**CURRENT LIABILITIES:**

Accounts payable	12,149
Accrued liabilities	<u>30,834</u>

**TOTAL CURRENT LIABILITIES**

42,983

**NONCURRENT LIABILITIES**

12,183

**TOTAL LIABILITIES**

55,166

**NET ASSETS:**

Investment in capital assets, net of related debt	805,195
Unrestricted net assets	<u>340,985</u>

**NET ASSETS**

\$ 1,146,180

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The accompanying notes to financial statements are an integral part of this statement.

**MANISTIQUE HOUSING COMMISSION**

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2005

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Public Housing	\$ 581,615	\$ 159,479	\$ 310,383	\$ 124,993
				\$ 13,240
General revenues:				
Unrestricted investment earnings				7,704
Other				5,520
Total general revenues				13,224
Change in net assets				26,464
NET ASSETS, beginning of year				1,119,716
NET ASSETS, end of year				\$ 1,146,180

The accompanying notes to the financial statements are an integral part of this statement.

**MANISTIQUE HOUSING COMMISSION**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE  
IN NET ASSETS  
Proprietary Fund**

For the Year Ended December 31, 2005

**OPERATING REVENUES:**

Tenant revenue	\$ 159,479
Program grants-subsidies	310,383
Other income	<u>5,520</u>

TOTAL OPERATING REVENUES	<u>475,382</u>
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**OPERATING EXPENSES:**

Administration	144,884
Tenant services	300
Utilities	53,483
Maintenance	88,908
General	23,918
Housing assistance payments	138,096
Depreciation	<u>132,026</u>

TOTAL OPERATING EXPENSES	<u>581,615</u>
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OPERATING (LOSS)	<u>(106,233)</u>
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**NONOPERATING REVENUES AND (EXPENSES):**

Capital grants	124,993
Interest income	<u>7,704</u>

TOTAL NONOPERATING REVENUES AND (EXPENSES)	<u>132,697</u>
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CHANGE IN NET ASSETS	26,464
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NET ASSETS, BEGINNING OF YEAR	<u>1,119,716</u>
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NET ASSETS, END OF YEAR	<u>\$ 1,146,180</u>
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& COMPANY, P.L.C.**  
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The accompanying notes to financial statements are an integral part of this statement.

# MANISTIQUE HOUSING COMMISSION

## STATEMENT OF CASH FLOWS Proprietary Fund

For the Year Ended December 31, 2005

### CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 157,607
Cash received from grants and subsidies	312,833
Cash payments to suppliers for goods and services	(267,665)
Cash payments for wages and related benefits	(180,462)
Cash payments for payment in lieu of taxes	(16,365)
Other receipts	<u>5,520</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>11,468</u>
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### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	124,993
Acquisition of capital assets	<u>(124,993)</u>

NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>
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### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	86,853
Investment income	<u>6,966</u>

NET CASH PROVIDED FROM INVESTING ACTIVITIES	<u>93,819</u>
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NET INCREASE IN CASH AND EQUIVALENTS	105,287
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CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>70,535</u>
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CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 175,822</u>
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### RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (106,233)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	132,026
Changes in assets and liabilities:	
Decrease (Increase) in receivables	578
Decrease (Increase) in prepaid expenses	(14,071)
Increase (Decrease) in accounts payable	(1,967)
Increase (Decrease) in accrued liabilities	<u>1,135</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 11,468</u>
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The accompanying notes to financial statements are an integral part of this statement.



## **MANISTIQUE HOUSING COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **THE REPORTING ENTITY**

The Manistique Housing Commission (Commission) was formed by the Manistique City Commission under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the City of Manistique.

The Commission manages 60 units of low rent public housing units and 56 housing choice vouchers of which, for financial reporting purposes, includes all of the activities relevant to its operations.

##### **Component Unit**

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the Manistique Housing Commission, but the Commission is a component unit of the City of Manistique, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

##### **BASIS OF PRESENTATION**

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

##### **Government-Wide Financial Statements:**

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



# **MANISTIQUE HOUSING COMMISSION**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005

(Continued)

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **BASIS OF PRESENTATION (Continued)**

##### **Proprietary Fund**

Proprietary Funds are used to account for operations, (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

#### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

##### **Measurement Focus:**

The government-wide Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses and Change in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

##### **Basis of Accounting:**

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.



# MANISTIQUE HOUSING COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005

(Continued)

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **ASSETS, LIABILITIES AND NET ASSETS**

- a. Cash and Equivalents – The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$200 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.





## **MANISTIQUE HOUSING COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005

(Continued)

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **ASSETS, LIABILITIES AND NET ASSETS (Continued)**

2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

##### **REVENUES AND EXPENSES**

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

##### **OTHER SIGNIFICANT ACCOUNTING POLICIES**

###### **Interprogram Activity:**

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

###### **Budgets and Budgetary Accounting:**

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on January 1<sup>st</sup>. The operating budget includes proposed expenses and the means of financing them. Prior to December 31<sup>st</sup>, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to December 31<sup>st</sup>.



## MANISTIQUE HOUSING COMMISSION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005

(Continued)

#### **NOTE B - CASH AND INVESTMENTS**

##### Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 200
Checking accounts	72,153
Savings accounts	10,383
Certificates of deposit	<u>93,086</u>
<b>TOTAL</b>	<b><u>\$175,822</u></b>

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. As of December 31, 2005, the Commission's cash and equivalents were not exposed to credit risk, due to them being fully insured.

##### Investments

The Commission's investments, as reported in the Statement of Net Assets, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>(Investment Maturities in Years)</u>	
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Certificates of Deposit	<u>\$198,509</u>	<u>\$140,708</u>	<u>\$57,801</u>

Investments are recorded at fair market value, which is based on quoted market prices.

Michigan statutes authorize the Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the Commission's investments may not be returned. As of December 31, 2005, the Commission's investments were not exposed to credit risk, due to them being fully insured.



## MANISTIQUE HOUSING COMMISSION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005

(Continued)

#### NOTE B - CASH AND INVESTMENTS (Continued)

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Commission's investments. State law limits the allowable investments as described above. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The Commission has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the Commission's investments outlined above. The Commission's investments are in accordance with statutory authority.

*Concentration of Credit Risk.* The Commission places no limit on the amount the Commission may invest in one issuer. However, the Commission is required to have all funds in excess of insured amounts to be collateralized. The Commission's investments and balances are with the following financial institutions:

mBank, Manistique, MI	\$ 52,423
State Savings Bank, Manistique, MI	30,991
Manistique Credit Union, Manistique, MI	57,801
Limestone Bank, Manistique, MI	<u>57,294</u>
Total	<u>\$198,509</u>

#### NOTE C - CAPITAL ASSETS

A summary of capital assets as of December 31, 2005 is as follows:

	Balance 1-1-05	Additions	Deletions	Balance 12-31-05
Land and improvements	\$ 268,029	\$ -	\$ -	\$ 268,029
Building and improvements	2,890,238	132,183	-	3,022,421
Equipment	114,849	-	-	114,849
Construction in progress	<u>7,190</u>	<u>124,993</u>	<u>(132,183)</u>	<u>-</u>
	3,280,306	<u>\$ 257,176</u>	<u>\$ (132,183)</u>	3,405,299
Accumulated depreciation	<u>(2,468,078)</u>	<u>\$ (132,026)</u>	<u>\$ -</u>	<u>(2,600,104)</u>
Net capital assets	<u>\$ 812,228</u>			<u>\$ 805,195</u>

Depreciation expense for the year was \$132,026.



## **MANISTIQUE HOUSING COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005

(Continued)

#### **NOTE D - RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

#### **NOTE E - USE OF ESTIMATES**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended December 31, 2005 totaled \$608,079 of which \$435,376 or 71.6% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

#### **NOTE G— PENSION PLAN**

The Commission has established a SEP-IRA plan of which the Commission contributes 10% of qualified wages. To be eligible, an employee must have twelve continuous months of service. The Commission contributions to the Plan during the year amounted to \$10,882.



**SUPPLEMENTAL  
INFORMATION**



MANISTIQUE HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE**  
**Proprietary Fund**

December 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash:					
111	Cash - unrestricted	\$ 148,022	\$ 27,800	\$ -	\$ 175,822
100	Total cash	148,022	27,800	-	175,822
Accounts and notes receivables:					
125	Accounts receivable-miscellaneous	177	-	-	177
126	Accounts receivable- tenants	4,778	-	-	4,778
126.1	Allowance for doubtful accounts - tenants	(1,873)	-	-	(1,873)
129	Accrued interest receivable	1,513	-	-	1,513
120	Total receivables, net of allowances for doubtful accounts	4,595	-	-	4,595
Other current assets:					
131	Investments	198,509	-	-	198,509
142	Prepaid expenses	17,225	-	-	17,225
144	Interprogram due from	2,314	-	-	2,314
150	TOTAL CURRENT ASSETS	370,665	27,800	-	398,465

See accompanying notes to financial statements



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**MANISTIQUE HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

December 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<b>NONCURRENT ASSETS:</b>					
Fixed assets:					
161	Land	11,805	-	-	11,805
162	Buildings	2,890,238	-	132,183	3,022,421
163	Furniture, equipment & machinery - dwellings	33,523	-	-	33,523
164	Furniture, equipment & machinery - administration	72,701	8,625	-	81,326
165	Leasehold improvements	256,224	-	-	256,224
166	Accumulated depreciation	(2,592,473)	(5,576)	(2,055)	(2,600,104)
160	Total fixed assets, net of accumulated depreciation	672,018	3,049	130,128	805,195
180	TOTAL NONCURRENT ASSETS	672,018	3,049	130,128	805,195
190	TOTAL ASSETS	\$ 1,042,683	\$ 30,849	\$ 130,128	\$ 1,203,660

See accompanying notes to financial statements



MANISTIQUE HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE**  
**Proprietary Fund**

December 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES:</b>					
<b>CURRENT LIABILITIES</b>					
312	Accounts payable ≤ 90 days	\$ 11,782	\$ 367	-	\$ 12,149
321	Accrued wages / payroll taxes	2,029	-	-	2,029
322	Accrued compensated absences - current portion	5,368	822	-	6,190
333	Accounts payable - other government	7,776	-	-	7,776
341	Tenant security deposits	12,756	-	-	12,756
342	Deferred revenues	2,083	-	-	2,083
347	Interprogram due from	-	2,314	-	2,314
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>41,794</b>	<b>3,503</b>	<b>-</b>	<b>45,297</b>
354	Accrued compensated absences - non current	10,298	1,885	-	12,183
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>10,298</b>	<b>1,885</b>	<b>-</b>	<b>12,183</b>
300	<b>TOTAL LIABILITIES</b>	<b>52,092</b>	<b>5,388</b>	<b>-</b>	<b>57,480</b>





ANDERSON, TACKMAN  
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**MANISTIQUE HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

December 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<b><u>NET ASSETS</u></b>					
508.1	Investment in capital assets, net of related debt	672,018	3,049	130,128	805,195
512.1	Unrestricted net assets	318,573	22,412	-	340,985
513	TOTAL NET ASSETS	990,591	25,461	130,128	1,146,180
600	TOTAL LIABILITIES AND NET ASSETS	\$ 1,042,683	\$ 30,849	\$ 130,128	\$ 1,203,660

**MANISTIQUE HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE**

**Proprietary Fund**

For the Year Ended December 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<b><u>REVENUES</u></b>					
703	Net tenant rental revenue	\$ 145,901	\$ -	\$ -	\$ 145,901
704	Tenant revenue - other	13,578	-	-	13,578
705	Total tenant revenue	159,479	-	-	159,479
706	HUD PHA grants	108,662	178,947	22,774	310,383
706.1	Capital grants	-	-	124,993	124,993
711	Investment income - unrestricted	7,348	356	-	7,704
714	Fraud recovery	-	2,255	-	2,255
715	Other revenue	3,265	-	-	3,265
700	TOTAL REVENUE	278,754	181,558	147,767	608,079
<b><u>EXPENSES</u></b>					
Administrative:					
911	Administrative salaries	65,575	17,816	8,775	92,166
912	Auditing fees	2,970	330	-	3,300
914	Compensated absences	1,221	276	-	1,497

See accompanying notes to financial statements



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**MANISTIQUE HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

For the Year Ended December 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
915	Employee benefit contributions- administrative	23,948	7,150	-	31,098
916	Other operating- administrative	12,478	4,345	-	16,823
	Total Administrative	106,192	29,917	8,775	144,884
Tenant services:					
924	Tenant services - other	300	-	-	300
Utilities:					
931	Water	24,862	-	-	24,862
932	Electricity	10,233	-	-	10,233
933	Gas	18,388	-	-	18,388
	Total Utilities	53,483	-	-	53,483
Maintenance:					
941	Ordinary maintenance and operations - labor	38,478	-	-	38,478
942	Ordinary maintenance and operations - materials & other	8,168	-	-	8,168
943	Ordinary maintenance and operations - contract costs	23,705	-	-	23,705
945	Employee benefit contributions- ordinary maintenance	18,557	-	-	18,557
	Total Maintenance	88,908	-	-	88,908

See accompanying notes to financial statements



ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**MANISTIQUE HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

For the Year Ended December 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
General expenses:					
961	Insurance premiums	14,444	-	-	14,444
963	Payments in lieu of taxes	7,776	-	-	7,776
964	Bad debts - tenant rents	1,698	-	-	1,698
	Total General Expenses	23,918	-	-	23,918
969	TOTAL OPERATING EXPENSES	272,801	29,917	8,775	311,493
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	5,953	151,641	138,992	296,586
973	Housing assistance payments	-	138,096	-	138,096
974	Depreciation expense	129,586	385	2,055	132,026
900	TOTAL EXPENSES	402,387	168,398	10,830	581,615

See accompanying notes to financial statements



ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

MANISTIQUE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE  
Proprietary Fund

For the Year Ended December 31, 2005

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
Other financing sources (uses)					
1001	Operating transfers in	13,999	-	-	13,999
1002	Operating transfers out	-	-	(13,999)	(13,999)
1010	Total other financing sources (uses)	13,999	-	(13,999)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (109,634)	\$ 13,160	\$ 122,938	\$ 26,464
MEMO account information					
1103	Beginning equity	\$ 1,014,894	\$ 11,548	\$ 85,959	\$ 1,112,401
1104	Prior Period Adjustments, Equity Transfers	\$ 85,331	\$ 753	\$ (78,769)	\$ 7,315
1120	Unit months available	720	673	-	1,393
1121	Number of unit months leased	694	673	-	1,367

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
Manistique Housing Commission  
Manistique, Michigan

We have audited the financial statements of the business-type activities of the Manistique Housing Commission as of and for the year ended December 31, 2005, which collectively comprise the Manistique Housing Commission's basic financial statements, and have issued our report thereon dated October 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Manistique Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Manistique Housing Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Manistique, Michigan

October 3, 2006